My name is Robert Guyon and I am the Chief Operating Officer of Caritas Christi. I have worked for Caritas Christi for almost 20 years in a variety of roles including the Chief Financial Officer of the System. In order to frame our discussion today I wanted to give a state of the state with regards to Carney Hospital.

Caritas Christi acquired Carney Hospital from the Daughters of Charity in February, 1997 with the singular purpose of preserving much needed care to an underserved community. At that time, the Daughters of Charity were quite clear in their intent to dispose of Carney Hospital, and we at Caritas Christi were quite clear in our intent to save it. I know, I was there. What we didn't know was exactly how we would do it. We had very little to work with. Carney's assets had to be written down by over $30 million dollars to reflect their true value, cash balances were dangerously low and the facilities were in need of millions of dollars in deferred maintenance and repairs. At the same time clinical equipment was outdated and in need of upgrading. The task of turning around the finances of Carney Hospital were further complicated by millions in underfunded pension liabilities.

A major underpinning of Carney's future survival was the need to rebuild its medical staff, requiring millions to stabilize, recruit and subsidize new PCP and specialty practices. It would take 5 years and millions in capital and physician recruiting to finally return Carney to profitability. Finally, by 2003, Carney turned a profit but not without help from the State. Let me be clear, this was done only with significant help from the Commonwealth in the form of $11 million in Special Medicaid payments. Since that time, Carney has received varying financial assistance from the State's distressed hospital fund and has had varying financial performance, with years of meager profit as well as modest losses. While Carney Hospital turned a profit in 2009 of $2.7 million after funding physician losses, that amount included $4 million in essential community provider funding from the state. Without the funding from the state Carney Hospital would have lost over $1.2 million, a number which does not include funding the Carney retirement plan. If Carney had funded its retirement plan in 2009 the losses would have exceeded $2 million. In 2010 we project that Carney without the state support will turn a meager profit of around $750,000 or about .7%.

In fact if you were to add up all of Carney's gains, losses and physician subsidies since 1997, the result would be a net loss in excess of $20 million, requiring significant transfers of cash from other Caritas Hospitals to fund these losses. This amount does not take into account the States' subsidies during this time.

Despite millions in distressed hospital relief from the state, it should come as no surprise that in a market with significant amounts of charity care and bad debt that financial performance would always be a challenge. Surely this was a key factor in both the Daughters of Charity's decision to leave Carney in 1997 and an independent consultant's recommendation in 2008 to evaluate the feasibility of continuing Carney as a full service acute care hospital. Despite significant pressure, Dr. de la Torre in 2008 reaffirmed the System's commitment to preserve Carney Hospital as a full service acute care facility.

At the heart of this commitment is the same singular purpose we started with when we first arrived at Carney in the winter of 1997; to provide much needed care to an underserved community.

Madame Attorney General, representatives of the Department of Public Health we need to be realistic as to Carney's fragility as decisions are made to pull finances out of this hospital. Carney Hospital has over $50 million in debt and pension liabilities as well as immediate capital needs in excess of $30 million. All of this on earnings that fluctuate, now, around breakeven. Our capital partner, Cerberus shares our mission and will provide the System the financial resources to deliver on our commitment to Carney Hospital, to the residents of Dorchester, to our doctors, employees and pensioners. As you evaluate the terms of the Steward transaction I want you to consider the following. In order for Carney to succeed, investments must be made in Carney. It is these investments that will allow Carney to expand programs and increase its services, ultimately providing for a sustainable and financially viable Carney Hospital. To limit or direct any of these jeopardizes this institution and the community that relies upon it.